

Original 132

**PURCHASED POWER AGREEMENT**

between

**DUKE POWER COMPANY**

and

**NORTHBROOK CAROLINA HYDRO, L.L.C.**

**"Saluda Hydroelectric Facility"**

**Contract No. 96-03e**

**Contract Date: December 4, 1996**

**Initial Delivery Date: December 4, 1996**

**PURCHASED POWER AGREEMENT**

THIS PURCHASED POWER AGREEMENT ("Agreement") is made  
this 4th day of December, 1996, by and between

**DUKE POWER COMPANY,**

a North Carolina Corporation ("Duke"), and

**NORTHBROOK CAROLINA HYDRO, L.L.C.,**

a Delaware limited liability company ("Northbrook"), for the

**"Saluda Hydroelectric Facility."**

Hereinafter, the parties are also referred to individually as "Party" and collectively as "Parties." Duke is also referred to as "Company" and Northbrook is also referred to as "Customer" in Duke's Service Regulations and in the Rules and Regulations of the Public Service Commission of South Carolina ("Commission").

WHEREAS, Northbrook has responded to Duke's December 1995 Request for Proposals to Purchase Hydroelectric Plants, in which Duke requested proposals for the purchase of certain hydroelectric generating facilities previously owned and operated by Duke; and

WHEREAS, Northbrook wishes to purchase the Saluda Hydroelectric Facility, which is located on the Saluda River near Greenville, South Carolina (the "Facility") pursuant to a Contract to Purchase Hydroelectric Facilities pertaining to the Facility and six other hydroelectric facilities entered into between Duke and Northbrook, dated October 8, 1996 (the "Sales Contract") and, upon transfer of ownership of the Facility and Northbrook's receipt of all required approvals for ownership and operation of the Facility, Northbrook wishes to sell to Duke electric energy from the Facility; and

WHEREAS, Duke has accepted Northbrook's proposal for the purchase of the Facility along with Northbrook's proposal for the sale of electric energy from the Facility on the terms and conditions set forth in the Sales Contract and in this Agreement; and

WHEREAS, the Facility is a qualifying facility as defined by the Federal Energy Regulatory Commission ("FERC") pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978 ("PURPA").

NOW THEREFORE, in consideration of the mutual covenants herein contained, the Parties hereto, for themselves, their successors and assigns, do hereby agree to the following:

1. Service Requirements.

1.1 Northbrook shall sell and deliver exclusively to Duke all of the electric power generated by the Facility, net of the Facility's own auxiliary electrical requirements, and Duke shall purchase, receive, use and pay for the same, subject to the conditions contained in this Agreement.

1 If the Facility will receive back-up and maintenance power for its auxiliary electrical requirements  
2 from Duke, such power shall be provided to Northbrook pursuant to a separate electric service  
3 agreement under Duke's rate schedule appropriate for such service.  
4

5 1.2 The electric power to be delivered hereunder shall be three phase, alternating, at a  
6 frequency of approximately sixty (60) hertz, and at approximately 12,470/7,200 volts, ungrounded  
7 wye.  
8

9 1.3 Delivery of said power shall be made in Greenville County at or near Greenville,  
10 South Carolina at a delivery point described as follows:  
11 on a steel structure in Duke's substation adjacent to Northbrook's power house where  
12 Northbrook's conductors attach to Duke's electrical bus.  
13

14 1.4 (a) The nameplate capacity of the Facility is 2,400 kilowatts, consisting of four  
15 horizontal shaft, double runner Francis turbines and generators rated at 600 kilowatts each.  
16

17 (b) Northbrook shall deliver to Duke throughout the term of the Agreement  
18 approximately 515 kilowatts during On-Peak Hours as its "Capacity Commitment" as defined in  
19 Article 1.4(c) below.  
20

21 (c) The "Capacity Commitment" shall be the average capacity in kilowatts  
22 Northbrook commits to deliver to Duke during On-Peak Hours through the term of the Agreement  
23 taking into account scheduled and forced outages, stream flow conditions and any other conditions  
24 which might impact the average capacity during On-Peak Hours.  
25

26 1.5 (a) Duke will install and own such meter(s) as shall be necessary to measure and  
27 record the electrical energy delivered and received in accordance with the terms and conditions of  
28 this Agreement, such meter(s) to be located:  
29 at or near the above Delivery Point on Duke's 12 kV electrical bus.  
30

31 (b) Duke will read, test, calibrate, and repair its meter(s) and will estimate and  
32 correct metering errors in accordance with Duke's Service Regulations which are on file with the  
33 Commission ("Service Regulations"), and Commission rules, as may be from time to time  
34 amended. In the event of a partial or total failure of Duke's metering system(s), Duke may utilize  
35 Northbrook's metering, if available, which Northbrook may elect to install, own and maintain, at its  
36 own expense, as a source of information to assist in estimating the billing information, provided that  
37 Northbrook shall read, test, calibrate, and repair its meters, at its own expense, in accordance with  
38 the Service Regulations and Commission rules.  
39

40 1.6 Northbrook shall be responsible for providing suitable control and protective devices  
41 on its equipment to assure no detrimental impact on Duke's facilities or to Duke's service to any of  
42 its other customers from the operation by Northbrook of its Facility.  
43

44 1.7 Northbrook shall notify Duke's System Operating Center ("SOC") by 7:00 a.m. each  
45 day, by a means of communications mutually agreed upon by the Parties, of the estimated kW that  
46 the Facility will generate on a net basis each hour of the following twenty-four (24) hours;  
47 provided, however, that Northbrook shall also notify Duke's SOC promptly of any changes in the  
48 Facility's output from the previous estimate.

1           1.8     Northbrook shall cooperate with Duke and the owner(s) of the two Pelzer Hydro  
2 facilities and the Piedmont Hydro facility on a communications and operations plan for stream flow  
3 conditions along the Saluda River.  
4

5     2.     Rate Schedule and Service Regulations.  
6

7           2.1     The sale, delivery, receipt and use of electric power hereunder, and all services of  
8 whatever type to be rendered or performed in connection therewith, shall in all respects be subject to  
9 and in accordance with all the terms and conditions of the attached Appendix A and with the  
10 Service Regulations, both of which are hereby incorporated by reference and made a part hereof as  
11 though fully set forth herein. Said Service Regulations are subject to change, revision, alteration or  
12 substitution, either in whole or in part, upon order of said Commission or any other regulatory  
13 authority having jurisdiction, and any such change, revision, alteration or substitution shall  
14 immediately be made a part hereof as though fully written herein, and shall nullify any prior  
15 provision in conflict therewith.  
16

17           2.2     Energy and capacity payments made by Duke to Northbrook for electric power  
18 delivered to Duke by Northbrook from the Initial Delivery Date through the end of the term of the  
19 Agreement shall be determined by Duke using the rates set forth in Appendix A, which is attached  
20 hereto and made a part hereof, subject to the conditions set forth elsewhere in this Agreement.  
21

22           2.3     Inasmuch as the Facility is not classified as "new capacity" as set forth in FERC  
23 Order No. 69 in Docket No. RM79-55, it is not eligible for capacity credits under said FERC Order  
24 and the Commission's Order No. 81-214 in Docket No. 80-251-E. Accordingly, capacity credits  
25 herein provided for shall require Commission approval and the Parties shall jointly file a petition  
26 seeking such approval.  
27

28           2.4     The term "month" as used in this Agreement means the period intervening between  
29 meter readings for the purposes of monthly billing, such readings normally being taken once per  
30 calendar month at intervals of approximately thirty (30) days. The "On-Peak Months" shall be the  
31 billing months of June through September and December through March. The "Off-Peak Months"  
32 shall be the billing months of April, May, October and November.  
33

34           2.5     "On-Peak Hours" shall be those hours, Monday through Friday, beginning at 7 A.M.  
35 and ending at 11 P.M. All other weekday hours and all Saturday and Sunday hours shall be "Off-  
36 Peak Hours."  
37

38           2.6     For the purposes of determining the amounts to be paid to Northbrook by Duke, the  
39 appropriate Energy Credit Rates, Energy Credit Rate Adders, and Excise Tax Adder as determined  
40 pursuant to Appendix A shall be applied to all of the energy in kilowatt-hours delivered to Duke  
41 during the On-Peak Hours and Off-Peak Hours of each month. The appropriate Capacity Credit  
42 Rates will be applied only to the energy in kilowatt-hours delivered to Duke during the On-Peak  
43 Hours of each month.  
44

45           2.7     When the average monthly power factor of the power supplied by Northbrook to  
46 Duke is less than 90 percent or greater than 97 percent, as determined by the kilowatt-hours and  
47 kilovar-hours metered during the month by Duke, Duke will adjust the kilowatt-hours for which  
48 energy and capacity payment shall be made hereunder, as appropriate. Facilities necessary for the  
49 measurement of power factor will be a part of the Interconnection Facilities as set forth in Article 5.

3. Initial Delivery Date.

3.1 The Initial Delivery Date shall be the first date after title to the Facility is transferred from Duke to Northbrook and upon which: (i) energy is generated by Northbrook at the Facility and delivered to Duke; and (ii) such energy is metered by Duke. The Initial Delivery Date hereunder is

December 4, 1996.

3.2 Subject to the provisions of Article 3.3 and 3.4 hereof, if the Initial Delivery Date does not occur within thirty (30) months from the date of execution of this Agreement, then Duke may at any time thereafter terminate this Agreement immediately upon written notice to Northbrook.

3.3 The Initial Delivery Date is dependent upon Duke securing from the manufacturers all necessary apparatus, equipment and material for the delivery of said power pursuant to this Agreement, and Duke shall not be required to receive said power until it shall have secured and installed such equipment, apparatus and material.

3.4 If either Party shall be delayed or prevented from delivering or receiving electric power on the Initial Delivery Date by reason of an event or condition of force majeure as defined in Article 7 hereof, then the Initial Delivery Date and the beginning of Northbrook's obligation to pay Interconnection Facilities O&M Charges pursuant to Article 5.3 hereof shall be extended for a period proportionate to such delay or prevention, not to exceed one (1) year.

4. Term and Termination.

4.1 The Initial Term of this Agreement shall be seven (7) years, beginning with the Initial Delivery Date. Following the Initial Term, Northbrook shall have the option, in its sole discretion, to extend the term of this Agreement for an additional period of three (3) years at the rates set forth in Appendix A hereto. To extend the Initial Term, Northbrook shall provide written notice to Duke of its intent to extend at least twenty-four (24) months prior to the expiration of the Initial Term. In the event Northbrook does not exercise its option to extend the term of this Agreement at the end of the Initial Term, Northbrook shall be required to either: (i) enter into a power sales agreement with a party or parties other than Duke for the sale of the output of the Facility following the Initial Term for a period of at least three (3) years; or (ii) effect a shutdown of the Facility such that electric power cannot be produced at the Facility for a period of at least three (3) years following the Initial Term.

4.2 Duke shall have the right to terminate the Agreement at any time upon written notice to Northbrook upon the occurrence of any of the following:

(a) Northbrook violates any of the terms or conditions of the Agreement, without having cured such violation within the time allowed under the following cure provision: Duke shall give Northbrook written notice of the violation. Unless the violation is the result of an event or condition of force majeure in which case the provisions of Article 7 shall apply, Northbrook shall be given thirty (30) days from the receipt of such notice to cure such violation. However, if the violation cannot be cured within thirty (30) days with exercise of due diligence, Northbrook shall within such period submit to Duke for its prior approval, which approval shall not be unreasonably withheld or delayed, a plan to correct the violation within a reasonable additional period of time not to exceed ninety (90) days. If Northbrook fails to submit such a plan, or if Duke in its reasonable

discretion does not approve the plan, then Duke may exercise its rights and remedies, including but not limited to termination, as set forth above.

(b) Northbrook's repeated or persistent operation of the Facility in a manner which causes the quality of power received by Duke to be detrimental to Duke's facilities or to Duke's service to any of its other customers, without having cured or corrected the detrimental operation within the time allowed under the cure provision set forth in Article 4.2(a) above; or

(c) Northbrook fails for any reason to deliver energy to Duke for one hundred eighty (180) consecutive days; except as provided in Article 4.4 below.

4.3 In the event of early termination of this Agreement, other than for default by Duke, Northbrook shall be required to pay Duke the following costs due to such early termination; except as provided in Article 4.4 below:

(a) Any unpaid charges due Duke under this Agreement including, but not limited to, any Interconnection Facilities O&M Charges or up-front payments provided for in Article 5;

(b) The costs associated with the removal of the Interconnection Facilities or any portion thereof from the Facility site area if such removal is a direct consequence of such early termination;

(c) The loss due to the early retirement of the Interconnection Facilities based on the installed cost of the Interconnection Facilities plus any subsequent additions or modifications to such facilities, less depreciation and salvage value; and,

(d) The additional cost for replacement power calculated as the positive difference, if any, of (i) the total cost, including energy and capacity costs, that Duke would have paid Northbrook for continued deliveries for the remainder of the term, based on the average deliveries to Duke from Northbrook during the time prior to the termination, and (ii) the total cost, including capacity and energy costs and, if applicable, transmission fees, for replacement power from other suppliers for the remainder of the term, as estimated by Duke at the time of early termination.

4.4 In the event Northbrook experiences a catastrophic failure of a major component of the Facility (including, as applicable, the dam, spillway, headgates, penstocks, intake canal, draft tubes, runners, turbines, and generators) so that the Facility is inoperable, which failure is the result of an event or condition of force majeure as defined in Article 7 hereof and is not the result of Northbrook's negligence in the operation or maintenance of the failed component(s) of the Facility, and the complete replacement of one or more of said components is required in order for the Facility to become operational, then Northbrook may, within thirty (30) days of the occurrence of the catastrophic failure, notify Duke that it wishes to declare a "Catastrophic Force Majeure Event" upon the following terms and conditions:

(a) In the event Northbrook elects to repair or replace the failed component so as to resume delivery of power pursuant to this Agreement, the following provisions shall apply:

(i) Northbrook shall inform Duke in writing, within thirty (30) days of its notice of the Catastrophic Force Majeure Event, of its decision to repair or replace the failed component(s), and shall concurrently with such notice provide to Duke a plan for repairing or replacing the failed component within a period not to exceed twelve (12) months from the date of the occurrence of the Catastrophic Force Majeure Event. During the pendency of the Catastrophic Force Majeure Event, Northbrook shall provide, upon request of Duke, evidence reasonably satisfactory to Duke of Northbrook's due diligence in proceeding with the repair or replacement of the component(s). Northbrook's failure to exercise due diligence may result in termination of this Agreement by Duke, which shall be effective immediately upon written notice from Duke to Northbrook, in which event all of the provisions of Article 4.3 shall apply.

(ii) The term of this Agreement shall be extended for a period proportionate to the duration of the Catastrophic Force Majeure Event, not to exceed twelve (12) months.

(iii) During the pendency of the Catastrophic Force Majeure Event, Northbrook shall continue to pay monthly Interconnection Facilities O&M Charges pursuant to Article 5.

(b) In the event the cost of repairing or replacing the component(s) damaged by the Catastrophic Force Majeure Event exceeds the insurance proceeds available to Northbrook as a result of such Catastrophic Force Majeure Event, Northbrook may terminate this Agreement and decommission the Facility upon the following terms and conditions:

(i) Northbrook shall inform Duke in writing, within thirty (30) days of its notice of the Catastrophic Force Majeure Event, of its decision to terminate the Agreement and decommission the Facility. Concurrently with such notice, Northbrook shall provide to Duke for approval, which approval shall not be unreasonably withheld or delayed, an economic analysis supporting the decision to decommission the Facility, including the costs to repair the Facility, the fair market value of the Facility if fully operational, and the insurance proceeds available to Northbrook as a result of the Catastrophic Force Majeure Event.

(ii) Upon Duke's approval of Northbrook's economic analysis, which approval shall not be unreasonably withheld or delayed, Duke shall provide Northbrook with written notice of the termination of this Agreement, which termination shall become effective only upon completion of the Facility's decommissioning, as set forth in subparagraph (iii) below. Upon such termination pursuant to this Article 4.4(b), Northbrook shall only be responsible for the costs and damages set forth in Article 4.3(a)-(c) hereof and shall not be responsible for the costs and damages set forth in Article 4.3(d).

(iii) If the Agreement is to be terminated pursuant to this Article 4.4(b), Northbrook shall modify the Facility, in a manner which is consistent with all applicable dam safety requirements, such that further generation of electric power by the Facility is not possible. Northbrook shall bear all costs associated with such decommissioning and shall continue to bear all liabilities associated with the Facility following termination of this Agreement. Under no circumstances shall Northbrook's termination of this Agreement and

decommissioning of the Facility pursuant to this Article 4.4(b) result in the imposition on Duke of any liability associated with the existence of the Facility.

4.5 In the event Northbrook extends this Agreement for the additional period of three (3) years pursuant to Article 4.1, this Agreement shall be renewable, at the end of such additional period of three (3) years, for subsequent term(s) at the option of Duke on substantially the same terms and provisions, and at a rate mutually agreed upon by the Parties.

#### 5. Interconnection Facilities.

5.1 Duke will furnish, install, own and maintain Interconnection Facilities to permit parallel operation of Northbrook's facilities with Duke's system. The Interconnection Facilities shall include the following: one 15kV 1200 amp vacuum circuit breaker; one single-phase, 25 kVA auxiliary service transformer; disconnect switches; relays; metering; bus, wiring and insulators; and associated structures and materials. Pursuant to the agreement of the Parties in the Sales Contract, Duke will bear the initial cost of the Interconnection Facilities. However, Northbrook shall bear the costs of any necessary future replacement or modification of the Interconnection Facilities under Article 5.3.

5.2 Upon completion by Duke of installation of the Interconnection Facilities, and continuing for as long as service is provided, Northbrook shall pay a monthly Interconnection Facilities O&M Charge for operation and maintenance of the Interconnection Facilities, according to the following schedule:

Years 1 through 5:	<u>\$ 290.00</u> , per month;
Years 6 through 7:	<u>\$ 325.00</u> , per month;
Years 8 through 10:	<u>\$ 365.00</u> , per month.

5.3 (a) The payments set forth in Article 5.2 and Duke's obligation to bear the initial cost of the Interconnection Facilities are based upon initial installation of the Interconnection Facilities only, without provision for future modifications or replacements. Any future changes in the Interconnection Facilities, whether requested by Duke or by Northbrook, or whether due to equipment failure or obsolescence, or otherwise, may require additional up-front payments by Northbrook and changes in the monthly Interconnection Facilities O&M Charge.

(b) Duke reserves the right to install at any time, upon reasonable advance notice to Northbrook, such additional facilities as may become necessary for service under this Agreement. In such event, Duke shall require additional up-front payments by Northbrook and shall adjust the Interconnection Facilities O&M Charge accordingly.

5.4 Duke shall furnish and install the Interconnection Facilities no later than the date requested by Northbrook for such installation. Northbrook's obligation to pay the monthly Interconnection Facilities O&M Charge shall begin on the date that such Interconnection Facilities become operational, except as provided in Article 3.4 hereof, and such charges shall apply at all times thereafter during the term of this Agreement, whether or not Northbrook is actually supplying electric power to Duke.

5.5 Upon expiration of the Initial Term, or upon expiration of the extension term if Northbrook exercises its option to extend the Initial Term pursuant to Article 4.1, the Parties shall



mutually agree upon Interconnection Facilities arrangements, and associated costs and charges, for Northbrook's continued interconnected operation following such expiration, which arrangements, costs and charges shall be consistent with Duke's then-current applicable interconnection policies and transmission tariffs.

6. Service Interruptions.

6.1 The Parties do not guarantee continuous service. They shall use reasonable diligence at all times to provide satisfactory service, and to remove the cause or causes in the event of failure, interruption, reduction or suspension of service, but neither Party shall be liable for any loss or damage resulting from such failure, interruption, reduction or suspension of service, nor shall same be a default hereunder, when due to any of the following:

(a) An emergency action due to an adverse condition or disturbance on Duke's system, or on any other system directly or indirectly interconnected with it, which requires automatic or manual interruption of the supply of electricity to some customers or areas in order to limit the extent or damage of the adverse condition or disturbance, or to prevent damage to generating or transmission facilities, or to expedite restoration of service, or to effect a reduction in service to compensate for an emergency condition on an interconnected system.

(b) An event or condition of force majeure as defined in Article 7 hereof.

(c) Making necessary adjustments to, changes in, or repairs on Duke's lines, substations, and facilities in cases where, in its opinion, the continuance of service from Northbrook's premises would endanger persons or property.

6.2 Pursuant to Section XII of the Service Regulations, Duke shall have the right to discontinue service and suspend purchases at any time in the event that Northbrook's operation of the Facility causes the quality of power received by Duke to be detrimental to Duke's service to its other customers, and Duke may discontinue service until such cause of detrimental power quality is cured.

6.3 Northbrook shall not schedule maintenance outages during On-Peak Months without prior approval from Duke, which approval shall not be unreasonably withheld or delayed.

7. Force Majeure. Circumstances beyond the reasonable control of a Party which solely cause that Party to experience delay or failure in delivering or receiving electricity or in providing continuous service hereunder, including: acts of God; unusually severe weather conditions; earthquake; strikes or other labor difficulties; war; riots; fire; requirements, actions or failures to act on the part of governmental authorities (including the adoption or change in any rule or regulation or environmental constraints lawfully imposed by federal, state or local government bodies), but only if such requirements, actions or failures to act prevent or delay performance; or transportation delays or accidents shall be deemed to be "events or conditions of force majeure". Events or conditions of force majeure do not include such circumstances which merely affect the cost of operating the Facility. Except for the provision on delay of performance relating to Initial Delivery Date set forth in Article 3.4 and except as provided for in Article 4.4, if any condition or event of force majeure delays a Party's performance for a time period greater than one hundred eighty (180) days, the Party not delayed by such condition or event may terminate this Agreement, without

1 further obligation, or extend such period at its sole discretion if the Party delayed by such condition  
2 or event is exercising due diligence in its efforts to cure the condition or event of force majeure.

3  
4 8. Payments.

5  
6 8.1 Duke shall send to Northbrook as promptly as possible, but within thirty (30) days  
7 following each regularly scheduled monthly meter reading, a statement showing Northbrook's on-  
8 peak and off-peak energy deliveries and total net reactive energy deliveries for the month, the  
9 associated capacity credits and energy credits along with appropriate adjustments pursuant to this  
10 Agreement, and the Interconnection Facilities O&M Charge. Actual payment to Northbrook, net of  
11 the Interconnection Facilities O&M Charge, shall be included with said statement.

12  
13 8.2 Amounts due to Duke under this Agreement are due and payable on the date of the  
14 statement at the office of Duke. Such amounts are past due and delinquent on the fifteenth day after  
15 the date of the statement. If any such amount is not so paid, Duke has the right to suspend service.  
16 In addition, all such amounts not paid by the twenty-fifth day after the date of the statement shall be  
17 subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge  
18 shall be rendered on the following month's statement and it shall become part of and be due and  
19 payable with the statement on which it is rendered.

20  
21 8.3 In the event that any data required for the purpose of determining payment hereunder  
22 is unavailable when required, such unavailable data may be reasonably estimated by Duke, subject  
23 to any required adjustment based on actual data in a subsequent month's payment, if such actual  
24 data is subsequently available.

25  
26 8.4 Any errors or inaccuracies in computation or billing shall be corrected as appropriate  
27 in the earliest possible succeeding statement and payment.

28  
29 8.5 Duke reserves the right, upon prior written notice to Northbrook, to set off against  
30 any amounts due from Duke to Northbrook, any amounts which are due from Northbrook to Duke,  
31 including, but not limited to, unpaid charges for Interconnection Facilities or past due balances on  
32 any accounts Northbrook has with Duke for other services.

33  
34 9. Records. In addition to the regular meter readings to be taken once each month for  
35 billing purposes, Duke may require additional meter readings, records, transfer of information, etc.,  
36 as may be agreed upon by the Parties. Duke reserves the right to provide to the Commission or the  
37 FERC or any other regulatory body, upon request, information pertaining to this Agreement,  
38 including but not limited to: records of the Facility's generation output and Duke's purchases  
39 thereof (including copies of monthly statements of power purchases and data from load recorders  
40 and telemetering installed at the Facility); copies of this Agreement; and information regarding the  
41 Interconnection Facilities, as set forth in Article 5 hereof. Duke will advise Northbrook of the  
42 furnishing of any information hereunder. Duke will not provide any information developed solely  
43 by Northbrook and designated by Northbrook in writing to be "proprietary" unless required to do so  
44 by order of the Commission or the FERC or any other regulatory body or court, in which event,  
45 Duke will notify Northbrook prior to supplying the proprietary information.

46  
47 10. Waiver. The failure of either Party to enforce or insist upon compliance with any of  
48 the terms or conditions of this Agreement shall not constitute a waiver or relinquishment of any  
49 such terms or conditions, but the same shall be and remain at all times in full force and effect.

11. Assignment. In the event that Northbrook sells or otherwise transfers ownership of the Facility at any time during the term of this Agreement, Northbrook is required to and agrees to assign, simultaneously with said sale or transfer of ownership or earlier, this Agreement and the rights and obligations accruing to Northbrook hereunder to Northbrook's successor-in-interest in the Facility. In any other situation, this Agreement and the rights and obligations accruing to Northbrook hereunder may be assigned to another entity. Any assignment by Northbrook shall be subject to: (a) Duke's prior approval of the assignment, which approval shall not be unreasonably or arbitrarily withheld, provided, however, such consent shall not be required prior to an assignment by Northbrook to a trustee or mortgagee pursuant to a financing agreement (in which case, however, such trustee or mortgagee shall agree that any further assignments by such trustee or mortgagee shall require the prior written consent of Duke, which consent shall not be unreasonably withheld); (b) the assignee expressly assuming Northbrook's obligations under this Agreement; and (c) the assignee first obtaining necessary approval from all regulatory bodies including, but not limited to, the Commission.

12. Notification of Assignment, Transfer or Sale. In the event of an assignment of the rights and obligations accruing to Northbrook under this Agreement pursuant to Article 11 hereof, or in the event of any contemplated sale, transfer or assignment of the Facility or the Certificate of Public Convenience and Necessity, Northbrook shall, in addition to obtaining the approvals required by Article 14 hereof, advise Duke and the Commission of any plans for such an assignment, sale or transfer.

13. Taxes. Northbrook shall be responsible for any and all taxes associated with the ownership and operation of the Facility and the sale of electric power from the Facility including, but not limited to, the Electric Power Excise Tax for the electric power generated by the Facility, which may be imposed under S.C. Code Ann. §12-23-10, as may be from time to time amended, or any equivalent statute or regulations. In the event that the Electric Power Excise Tax is eliminated or modified, the Excise Tax Adder described in Article 2.6 and Appendix A shall be eliminated or modified accordingly.

14. Regulatory Approvals.

(a) This entire Agreement is contingent upon the following regulatory approvals or actions: (i) Northbrook's and the Facility's status as a qualifying small power production facility pursuant to the procedure set forth in 18 CFR §292.207(a); (ii) a declaratory order or other evidence from the Commission of approval of the payment of the capacity credits set forth in Appendix A for the Facility; and (iii) Commission approval of the transfer or issuance of a Certificate of Public Convenience and Necessity or its equivalent for the Facility. The Parties hereto agree that performance under this Agreement shall not commence unless and until such approvals are obtained. If at any time during the term of this Agreement any of such required approvals expire, are withdrawn, are revoked or for any reason become invalid, Duke shall allow Northbrook a reasonable period, but in no event less than the periods set forth in Article 4.2 hereof, to cure the problem before giving notice of termination of this Agreement.

(b) Upon execution, Duke shall submit this Agreement to the Commission and to the North Carolina Utilities Commission for acceptance for filing by said commissions and the Agreement shall thereafter be subject to review in the context of Duke's next filed general rate case or by a complaint proceeding.

1  
2  
3 IN WITNESS WHEREOF, the Parties hereto have executed this Purchased  
4 Power Agreement as of the date first written above.  
5

6 DUKE POWER COMPANY

7  
8 By: William F. Reinke  
9 William F. Reinke, Vice President  
10  
11

12  
13 ATTEST:

14  
15 By: Robert T. Lucas  
16 Robert T. Lucas, Assistant Secretary  
17  
18  
19  
20

21 NORTHBROOK CAROLINA HYDRO, L.L.C.  
22

23 By its member, NORTHBROOK ENERGY, L.L.C.  
24

25 By its member, OMEGA ENERGY L.L.C.  
26

27  
28 By: Stephen J. Sinclair  
29  
30

31 By its member, OMEGA ENERGY L.L.C.  
32

33  
34 By: Mark J. Sundquist  
35  
36

Duke Power Company

APPENDIX A  
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"Saluda Hydroelectric Facility"

## APPENDIX A

This APPENDIX A is available only to Northbrook Carolina Hydro, L.L.C. for the "Saluda Hydroelectric Facility" which is a qualifying small power production facility as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

The RATE and RATE ADDER, as shown below, expire on the tenth (10th) anniversary of the Initial Delivery Date. The RATE set forth in Table 1 below is based upon Duke's projections of its avoided capacity and energy costs determined on or about June 13, 1996. The RATE ADDER set forth in Table 2 below is derived from the combined estimated expected value to Duke of the sale of seven of its small hydro facilities to Northbrook.

TABLE 1

**RATE:**

YEAR	Energy Credit Rate (\$/kWh)		YEAR	Capacity Credit Rate (\$/kWh)	
	On-Peak Hours	Off-Peak Hours		On-Peak Month	Off-Peak Month
1996	2.00	1.44	1996	-----	-----
1997	2.00	1.44	1997	0.64	0.20
1998	2.01	1.44	1998	0.64	0.20
1999	2.02	1.44	1999	0.64	0.20
2000	2.03	1.44	2000	0.64	0.20
2001	2.04	1.44	2001	0.64	0.20
2002	2.05	1.44	2002	0.64	0.20
2003	2.06	1.44	2003	0.64	0.20
2004	2.07	1.44	2004	0.64	0.20
2005	2.08	1.44	2005	0.64	0.20
2006	2.09	1.44	2006	0.64	0.20

TABLE 2

**RATE ADDER:**

YEAR	Energy Credit Rate Adder (\$/kWh)	
	On-Peak Hours	Off-Peak Hours
1996	0.00	0.00
1997	0.00	0.00
1998	0.06	0.05
1999	0.12	0.10
2000	0.19	0.16
2001	0.26	0.21
2002	0.33	0.27
2003	0.40	0.33
2004	0.48	0.39
2005	0.56	0.45
2006	0.64	0.52

**EXCISE TAX ADDER:** If Northbrook is required to pay the S.C. Power Excise Tax for electric power generated by the Facility, then Duke shall pay to Northbrook, in addition to the RATE and RATE ADDER set forth above, an EXCISE TAX ADDER equal to the then-current amount established by the state for such tax, stated in cents/kWh, for each kilowatt-hour delivered to Duke by Northbrook from the Facility. (as of the date of execution hereof, said established excise tax is 0.05 cents/kWh)

- All rates stated on a cents/kWh basis.
- Capacity Credit Rates are applicable during On-Peak Hours only.
- On-Peak Hours: 7AM - 11PM, Mon-Fri.
- Off-Peak Hours: All other weekday hours and all weekend hours.
- On-Peak Months: June - September and December - March.
- Off-Peak Months: April, May, October and November.

APPENDIX A  
NORTHBROOK CAROLINA HYDRO, L.L.C.  
"Saluda Hydroelectric Facility"